

**Donegal Creameries Plc**  
**Interim Results for the six months ended 30 June 2008**

**Financial Highlights**

€'000	H1 2008	H1 2007	Change
Revenue - continuing operations	69,642	59,755	16.5%
Operating Profit – continuing operations	3,464	3,849	-10.0%
Profit for period – continuing operations	3,112	2,957	5.2%
Op. Cash Flow	4,413	6,014	-26.6%
EPS (cents)	30.8c	29.1c	5.8%
Div. Per Share	7.0c	6.5c	7.7%
Net debt	22,810	8,445	170.1%
Net Asset value per share	€6.83	€5.91	15.6%

Donegal Creameries Plc (“Donegal Creameries”, the “Group” or the “Company”) announces its results for the half year to June 2008.

Turnover from continuing operations has increased by 16.5% to €69.6m with profit for the period up by 5.2% at just over €3.1m. These figures reflect volume growth in all business units and a strong performance in agribusiness profitability offsetting the poor market returns from commodity Dairy products.

The Group balance sheet remains strong with an increase in total assets from €103m to €121m and equity increased to €70m from €61m. Net debt is higher by €14.4m reflecting the financing of investments and increased working capital requirements.

Earnings per share increased by 5.8% from 29.1 cent to 30.8 cent. An interim dividend of 7.0 cent per share will be paid on 5 December 2008 to shareholders on the register on 14 November 2008.

**Operations Review**

**Dairy**

Turnover in the dairy business grew slightly to €29.9m. Profitability for the business was down from €1.8m to €0.6m. This reflects the significant decline in market returns for the period. The division’s branded added value range continues to grow and is performing well.

**Agribusiness**

Turnover in agribusiness increased by 23% from €32.2m to €39.7m. All businesses in the Division performed well. Irish Potato Marketing, our seed potato business continues to grow and sales of agricultural inputs from Smyths Daleside and retail stores also performed strongly.

**Property and Investments**

The conversion of the Grianan estate to organic is on plan. The Board continues to remain positive regarding the potential of the Group’s significant property and investment assets. There are a number of projects at various stages of development for zoning and planning approval which will become more relevant in the short term. During the period circa 6 acres of development land was acquired in Northern Ireland.

**Outlook**

The situation with regard to Commodity Dairy products is a concern for the business and also for its producer supply base. Milk prices paid have not been reduced sufficiently to reflect falling market returns during the first six months of the year and the full year impact of this remains a concern for the business. The outlook in agribusiness, particularly the seed potato business, is positive although the usual uncertainties regarding yields and market pricing will not be resolved until the last quarter of the year.

The Board remains confident about the ability of the Group to deliver shareholder value and whereas in 2007 Donegal Creameries had an excellent year, 2008 will be more challenging while still heading in the right direction.

Geoffrey Vance  
**Chairman**

**For reference:**

Paddy Hughes, Drury Communications: 01 260 5000 / 087 616 7811 / [phughes@drurycom.com](mailto:phughes@drurycom.com)

**Unaudited condensed consolidated interim income statement**  
**For the six months ended 30 June 2008**

	<i>Note</i>	<b>2008</b> <b>Unaudited</b> <b>€'000</b>	2007 Unaudited €'000
<b>Continuing operations</b>			
Revenue	3	<b>69,642</b>	59,755
Cost of sales		<b>(58,797)</b>	(49,789)
<b>Gross profit</b>		<b>10,845</b>	9,966
Other income		<b>978</b>	1,081
Distribution expenses		<b>(4,040)</b>	(3,518)
Administrative expenses		<b>(4,319)</b>	(3,680)
<b>Results from operating activities</b>		<b>3,464</b>	3,849
Finance income		<b>331</b>	484
Finance expenses		<b>(952)</b>	(553)
<b>Net finance expense</b>		<b>(621)</b>	(69)
Share of profit of associates		<b>636</b>	1,023
Profit before income tax		<b>3,479</b>	4,803
Income tax expense		<b>(367)</b>	(671)
<b>Profit from continuing operations</b>		<b>3,112</b>	4,132
<b>Discontinued operation</b>			
Loss from discontinued operation (Net of income tax)		-	(1,175)
<b>Profit for the period</b>		<b>3,112</b>	2,957
Attributable to:			
Equity holders of the Company		<b>3,127</b>	2,961
Minority interest		<b>(15)</b>	(4)
<b>Profit for the period</b>		<b>3,112</b>	2,957
<b>Earnings per share</b>			
Basic earnings per share (euro cent)	4	<b>30.8</b>	29.1
Diluted earnings per share (euro cent)	4	<b>30.1</b>	28.5
<b>Continuing operations</b>			
Basic earnings per share (euro cent)	4	<b>30.8</b>	40.6
Diluted earnings per share (euro cent)	4	<b>30.1</b>	39.7

**Unaudited condensed interim statement of recognised income and expense  
For the six months ended 30 June 2008**

	<b>2008</b>	<b>2007</b>
	<b>€'000</b>	<b>€'000</b>
Foreign exchange (loss) / gain	(538)	2
Revaluation of investment property upon transfer from property, plant and equipment	<b>1,111</b>	2,947
Defined benefit plans actuarial losses	<b>(149)</b>	(1)
Net change in fair value of available for sale financial assets	<b>(5)</b>	817
Tax on income and expense recognised directly in equity	<b>(222)</b>	(753)
<b>Income and expense recognised directly in equity</b>	<b>197</b>	3,012
<b>Profit for the period</b>	<b>3,112</b>	2,957
<b>Total recognised income and expense for the period</b>	<b>3,309</b>	5,969
<b>Attributable to:</b>		
Equity holders of the parent	<b>3,357</b>	5,286
Minority interest	<b>(48)</b>	683
<b>Total recognised income and expense for the period</b>	<b>3,309</b>	5,969

**Unaudited condensed consolidated interim balance sheet**  
**As at 30 June 2008**

		<b>30 June 2008</b>	<b>31 Dec 2007</b>	<b>30 June 2007</b>
		<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
		<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Assets</b>	<i>Note</i>			
Property, plant and equipment	6	<b>16,861</b>	15,592	16,235
Goodwill		<b>1,876</b>	1,876	1,782
Intangible assets		<b>33</b>	33	33
Investment property	7	<b>41,537</b>	36,929	32,546
Investments in associates		<b>17,177</b>	16,020	8,706
Other investments, including derivatives		<b>3,744</b>	3,751	3,567
Trade and other receivables		<b>197</b>	197	198
<b>Total non-current assets</b>		<b>81,425</b>	74,398	63,067
Inventories		<b>8,031</b>	8,527	7,878
Trade and other receivables		<b>30,657</b>	31,319	24,948
Cash and cash equivalents		<b>997</b>	-	7,089
<b>Total current assets</b>		<b>39,685</b>	39,846	39,915
<b>Total assets</b>		<b>121,110</b>	114,244	102,982
<b>Equity</b>				
Issued capital	8	<b>1,337</b>	1,337	1,337
Share premium	8	<b>2,975</b>	2,975	2,975
Other Reserves	8	<b>3,700</b>	3,501	3,998
Retained earnings	8	<b>61,331</b>	58,353	51,856
<b>Total equity attributable to equity holders of the Company</b>		<b>69,343</b>	66,166	60,166
<b>Minority interest</b>	8	<b>1,053</b>	1,101	1,284
<b>Total equity</b>		<b>70,396</b>	67,267	61,450
<b>Liabilities</b>				
Loans and other borrowings		<b>21,278</b>	15,570	14,228
Employee benefits		-	-	338
Trade & Other Payables		<b>308</b>	308	75
Provisions		-	-	505
Deferred tax liabilities		<b>6,170</b>	5,860	4,246
<b>Total non-current liabilities</b>		<b>27,756</b>	21,738	19,392
Loans and other borrowings		<b>2,529</b>	2,530	1,306
Current tax		<b>627</b>	316	766
Trade and other payables		<b>19,802</b>	22,393	20,068
<b>Total current liabilities</b>		<b>22,958</b>	25,239	22,140
<b>Total liabilities</b>		<b>50,714</b>	46,977	41,532
<b>Total equity and liabilities</b>		<b>121,110</b>	114,244	102,982

**Condensed consolidated interim statement of cash flows**  
**For the six months ended 30 June 2008**

	<b>2008</b>	<b>2007</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>€'000</b>	<b>€'000</b>
<b>Operating activities</b>		
Profit for the period	3,112	2,957
Adjustments for:		
Depreciation	1,191	1,188
Changes in fair value of investment property	(592)	(637)
Defined benefit pension charge	78	81
Net finance costs	621	69
Share of profit of associates	(636)	(1,023)
Gain on sale of property, plant and equipment	(11)	(142)
Loss on sale of discontinued operation, net of income tax	-	1,175
Income tax expense	367	671
	<b>4,130</b>	<b>4,339</b>
Change in inventories	436	(972)
Change in trade and other receivables	83	2,251
Change in trade and other payables	655	1,697
Change in provisions and employee benefits	39	(607)
	<b>5,343</b>	<b>6,708</b>
Interest paid	(765)	(431)
Defined benefit pension contributions paid	(197)	(71)
Income tax refunded / (paid)	32	(192)
<b>Net cash from operating activities</b>	<b>4,413</b>	<b>6,014</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	57	224
Acquisition of shares and loan in associate	(684)	-
Purchase of own shares	(219)	-
Disposal of subsidiary, net of cash disposed of	-	1,516
Acquisition of property, plant and equipment	(2,761)	(725)
Interest received	65	52
Dividends received	7	27
Acquisition of investment property	(2,894)	(715)
Repayment of loan by associate	255	-
Proceeds from sale of investment property	161	289
<b>Net cash from investing activities</b>	<b>(6,013)</b>	<b>668</b>
<b>Cash flows from financing activities</b>		
Payment of finance lease liabilities	(31)	(31)
Drawdown of borrowings	5,738	-
<b>Net cash from financing activities</b>	<b>5,707</b>	<b>(31)</b>
Net increase in cash and cash equivalents	4,107	6,651
Cash and cash equivalents at 1 January	(2,743)	441
Effect of exchange rate fluctuations on cash held	(367)	(3)
<b>Cash and cash equivalents at 30 June</b>	<b>997</b>	<b>7,089</b>

## Notes to the condensed consolidated interim financial statements

### (1) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standard (IFRS) IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 31 December 2007.

The financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property.

These condensed consolidated interim financial statements were approved by the Board of Directors on 11 September 2008.

### (2) Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the Group condensed financial statements are consistent with those applied in the Annual Report for the financial year ended 31 December 2007 and are described in those financial statements.

The Group did not adopt any new International Financial Reporting Standards (IFRS) or interpretations in the period that have had a material impact on the Group condensed financial statements for the half year.

In consultation with the independent actuary to the scheme the valuation of the pension obligation has been updated to reflect current market discount rates and rates of increases in salaries and inflation. The significant changes in estimates are discount rate 6.5% (2007: 5.5%), Inflation 2.7% (2007: 2.4%) and salary increases 4% (2007: 3.75%).

### (3) Segment Information

The Group comprises the following main business segments:

- *Dairy*

The assembly, processing and distribution of liquid milk, bulk milk trading and the production, distribution and marketing of added value dairy products including the Rumlbers brand of breakfast products.

- *Agribusiness*

The manufacture, sale and distribution of farm inputs including the development and sale of seed potatoes.

- *Property and investments*

Includes the rental, development and sale of property assets.

## Notes to the condensed consolidated interim financial statements

### (3) Segment Information *(continued)*

#### Business segments

For the six months ended 30 June 2008

	Dairy		Agri business		Property & Investments		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	<b>29,896</b>	27,532	<b>39,746</b>	32,223	-	-	<b>69,642</b>	59,755
Segment result	<b>586</b>	1,845	<b>1,937</b>	1,107	<b>941</b>	897	<b>3,464</b>	3,849
Net Finance Costs							<b>(621)</b>	(69)
Share of profit of associates							<b>636</b>	1,023
Income tax expense							<b>(367)</b>	(671)
Loss on sale of discontinued operation, net of tax							-	(1,175)
Profit for the period							<b>3,112</b>	2,957

There were no inter-segment transactions in the period (2007: nil)

	Dairy		Agri business		Property & Investments		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment net assets	<b>8,118</b>	7,615	<b>30,988</b>	29,655	<b>41,537</b>	36,929	<b>80,643</b>	74,199
<i>Unallocated</i>								
Other investments							<b>3,744</b>	3,751
Cash							<b>997</b>	-
Investment in associates							<b>17,177</b>	16,020
Loans and borrowings							<b>(25,995)</b>	(20,843)
Deferred tax liability							<b>(6,170)</b>	(5,860)
Net assets							<b>70,396</b>	67,267

#### Geographical segments

	Island of Ireland		Europe		Rest of the World		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from external customers	<b>64,148</b>	55,216	<b>4,542</b>	3,759	<b>952</b>	780	<b>69,642</b>	59,755



## Notes to the condensed consolidated interim financial statements

### (4) Earnings per share

The calculation of basic and diluted earnings per share is set out below:

#### *Profit attributable to ordinary shareholders*

	<b>2008</b>		<b>2007</b>	
	<b>Continuing operations €,000</b>	<b>Continuing operations €,000</b>	<b>Discontin- ued operation €,000</b>	<b>Total €,000</b>
Profit for the period	<b>3,112</b>	4,132	(1,175)	2,957
Profit attributable to ordinary shareholders	<b>3,127</b>	4,136	(1,175)	2,961

#### *Weighted average number of ordinary shares In thousands of shares*

	<b>2008</b>	2007
Weighted average number of ordinary shares in issue for the year	<b>10,286</b>	10,286
Weighted average number of treasury shares	<b>(138)</b>	(108)
Denominator for basic earnings per share	<b>10,148</b>	10,178
Effect of share options on issue	<b>239</b>	239
Weighted average number of ordinary shares (diluted) at 30 June	<b>10,387</b>	10,417

#### **Earnings per share**

	<b>2008</b>	2007
Basic earnings per share (euro cent)	<b>30.8</b>	29.1
Diluted earnings per share (euro cent)	<b>30.1</b>	28.4
<b>Continuing operations</b>		
Basic earnings per share (euro cent)	<b>30.8</b>	40.6
Diluted earnings per share (euro cent)	<b>30.1</b>	39.7

## Notes to the condensed consolidated interim financial statements

### (5) Dividends

No dividends were paid in either the 6 months ended 30 June 2008 or the 6 months ended 30 June 2007. The Board has proposed the payment of an interim dividend of 7.0 cent per share on 5 December 2008 (6.5 cent per share in 2007)

### (6) Property, plant and equipment

#### Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired assets with a cost of €2,761,000 (six months ended 30 June 2007: €725,000). Assets with a net book value of €186,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: €1,588,000), resulting in a gain on disposal of €11,000 (six months ended 30 June 2007: gain of €142,000).

### (7) Investment Property

#### Acquisitions and disposals

During the six months ended 30 June 2008, the Group acquired investment properties with a cost of €2,894,000 (six months ended 30 June 2007: €715,000). A property in Letterkenny included in Property, Plant and Equipment on 31 December 2007 was revalued to €1,300,000 and transferred to investment properties on 30 June 2008.

## Notes to the condensed consolidated interim financial statements

### (8) Capital and reserves

#### Reconciliation of movement in capital and reserves

<u>Group</u>	Attributable to equity holders of the Group										
	Share capital	Share premium	Trans- lation reserve	Reserve for own shares	Revalua- tion reserve	Fair Value reserve	Share option reserve	Retained earnings	Total	Minority interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2007	1,337	2,975	(3)	(129)	705	1,229	28	48,712	54,854	1,739	56,593
Total recognised income and expense	-	-	-	-	1,738	404	-	3,144	5,286	683	5,969
Acquisition of Minority Interest	-	-	-	-	-	-	-	-	-	(507)	(507)
Minority Interest disposed of	-	-	-	-	-	-	-	-	-	(631)	(631)
Share- based payment	-	-	-	-	-	-	26	-	26	-	26
<b>Balance at 30 June 2007</b>	<b>1,337</b>	<b>2,975</b>	<b>(3)</b>	<b>(129)</b>	<b>2,443</b>	<b>1,633</b>	<b>54</b>	<b>51,856</b>	<b>60,166</b>	<b>1,284</b>	<b>61,450</b>
Balance at 1 January 2008	1,337	2,975	(532)	(129)	2,410	1,633	119	58,353	66,166	1,101	67,267
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
Total recognised income and expense	-	-	(505)	-	889	(5)	-	2,978	3,357	(48)	3,309
Acquisition of Own Shares	-	-	-	(219)	-	-	-	-	(219)	-	(219)
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Payment to minority interests incl. dividends	-	-	-	-	-	-	-	-	-	-	-
Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	39	-	39	-	39
<b>Balance at 30 June 2008</b>	<b>1,337</b>	<b>2,975</b>	<b>(1,037)</b>	<b>(348)</b>	<b>3,299</b>	<b>1,628</b>	<b>158</b>	<b>61,331</b>	<b>69,343</b>	<b>1,053</b>	<b>70,396</b>

---

## Notes to the condensed consolidated interim financial statements

### (8) Capital and reserves *(Cont'd)*

On 1 February 2008 the Company purchased 36,007 of its own shares at €6.00 per share. This increases the total number of treasury shares held to 143,835.

### (9) Related parties

#### Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €324,000 for the six months ended 30 June 2008 (six months ended 30 June 2007: €320,000). Total remuneration is included in "administration expenses."

#### Other related party transactions

	Transaction value		Balance outstanding	
	Period ended		As at	
	30 June		30 June	
	2008	2007	2008	2007
	€'000	€'000	€'000	€'000
<b>Sale of goods and services</b>				
Sales by Group to directors	402	290	81	105
Purchases by Group from directors	(716)	(664)	(163)	(189)
By parent to associates	906	1,148	660	598

**(10) Net Debt**

Balance at 31 December 2007	(20,843)
Net increase in cash and cash equivalents	4,107
Effect of exchange rate fluctuations	(367)
Drawdown of borrowings	(5,738)
Repayment of finance Leases	31
Balance at 30 June 2008	(22,810)

**(11) Capital Commitments**

At 30 June 2008 there were capital commitments of €182,000 (2007:nil) authorised by the directors and not provided for in the financial statements.